

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Leader and Cabinet	12 October 2006
AUTHOR/S:	Chief Executive/Best Value & Management Accountant	

QUARTERLY MONITORING REPORT AND PRUDENTIAL INDICATORS INCLUDING TRANSFORMATION PROJECT COSTS/SAVINGS

Purpose

1. To provide a commentary on actual income and expenditure against budget, for the General Fund, Housing Revenue Account and Capital Programme in relation to the second quarter of the 2006-07 financial year and to monitor the indicators under the Prudential Code for Capital Finance in Local Authorities. The report also satisfies the requirement of Council to receive a three monthly report on savings arising from the Transformation Project.

Executive Summary

2. The information in this report indicates the following projected underspends: -

(a)	General Fund	£ 829,800;
(b)	Housing Revenue Account (HRA)	£ 23,300: and
(c)	Capital	£ 8,100.
3. Given the magnitude of the projected underspends on the General Fund, the Medium Term Financial Strategy, item 6 on the agenda, has now been updated to take account of these figures and amended appendices 3A and 3B will be circulated at the meeting.

Background

4. This report indicates the expenditure against budget to the 30th September 2006 and is the second of these regular reports for the 2006-07 financial year.
5. The information necessary for the production of the monitoring report is not available until shortly before the scheduled Cabinet meeting; faced with this situation Cabinet has indicated their willingness to have these reports tabled rather than wait for the subsequent meeting, by which time the information would be six weeks out of date. Because of the short-time scale available to Members in which to examine the information contained in these reports, Cabinet have requested the Resources, Staffing, Information & Customer Services Portfolio Holder to scrutinise the reports as part of his Portfolio Holder meetings.
6. Under the Prudential Code, the Chief Financial Officer is required to establish procedures to monitor performance against the prudential indicators and to ensure that any borrowing is for capital purposes. The indicators are primarily to show whether a local authority is entering into long-term commitments that it may not be able to afford in the future and they are, therefore, of less relevance to debt free authorities like South Cambridgeshire.

7. Council on the 23 February 2006 agreed that three monthly reports should be prepared showing the costs/savings from the Transformation Project. This report updates the information previously reported.

Considerations

8. This report concentrates on the largest expenditure and income budgets. The largest expenditure budgets are the departmental budgets, which now total £14.2 million, excluding capital charges. Other overhead budgets include office accommodation, the depot, central expenses and central support services. The departmental and overhead budgets are recharged to the General Fund and the Housing Revenue Account. Other General Fund services that have budgeted expenditure or income in excess of £200,000 are also shown separately.
9. A summary position statement is provided at **Appendix A**, for the budgets referred to above. Figures are shown for original estimate, revised estimate and actual income and expenditure to date. The inclusion of a column giving the projected out-turn for the year-end compared to the revised estimate makes for a more meaningful interpretation. A brief commentary forms part of Appendix A and paragraph 11 below highlights those matters requiring Member attention.
10. In compiling this position statement the following factors have been incorporated in the revised budget and in forecasting the projected under/overspendings:
 - (a) Agreed rollovers;
 - (b) Agreed/Anticipated Virements: and
 - (c) Increase in Cash Limits for the Local Land Charges System.
11. Of the areas identified, the following items are likely to be significantly different from the approved estimates:

Revenue

Transformation Project

- (a) The 2006/07 estimates for the Transformation Project are part of the Corporate Management budget and include provision for the Business Process Review, Senior Management Team and Project Manager. The estimates were based on figures provided by the consultants, Mouchel Parkman, and were included in the estimates on a payments basis. In closing the accounts for 2005/06, it became apparent that, in order to comply with the Accounting Code of Practice, the cost of any definite decisions made by 31st March 2006 had to be provided for in the 2005/06 accounts. A provision was, therefore, made in last year's accounts for the cost of redundancy, early retirement and compensatory added years lump sums and the first annual payments in respect of the former Chief Executive and the Development Services Director;
- (b) The 2006/07 estimate of £36,250 for the Senior Management Team was a net figure comprising of the leaving costs and salary savings on these two posts and enhanced salaries for the new two person Senior Management Team. The only costs which will now occur in 2006/07 are the salary savings and the salary enhancements so that the original budget of £36,250 net expenditure is revised to £135,260 net income, an underspend in 2006/07 of £171,510 solely

due to timing differences. Approximately 25% of this amount will be recharged to the Housing Revenue Account. As the savings from the Transformation Project are needed to balance the Medium Term Financial Strategy, this “underspending” in 2006/07 is not included in the figures quoted in the remainder of this report;

- (c) The costs incurred in the six month period to 30th September 2006 were costs for the Project Manager, redundancy costs for the four Executive/Personal Assistant posts and the costs of the Senior Management Team; and
- (d) In terms of the “steady state” position, which may be more meaningful to Members, (once redundancy, costs associated with early payment of benefits and CAY lump sums have been defrayed) the position can be summarised thus:

		£ Savings per annum
Senior Management Team Restructuring		175,000
PA/Secretarial Support		
Restructuring	£60,000	
Less cost of post of Customer Services Project Officer	£30,000	
		30,000
Total Savings per annum		205,000

On going costs in relation to the appointment of the Transformation Project Manager (one year fixed term contract) and two Business Analyst posts (permanent) amount to £132,000 per annum for the first year and £80,000 per annum thereafter.

General Fund

- (e) After management action, Departmental Accounts are currently £189,800 underspent attributable to vacancies, predominately in the Development Services, ICT, Environmental Health and Legal Divisions and an underspending on the Contact Centre;
- (f) Central Overheads are potentially going to underspend by £100,000, as energy bills in respect of Cambourne Offices, mainly accrued for in 2005/06, have not materialised. The energy company and the metering company have now agreed to bill the Council with effect from July 2006. However, there is a risk that the Council may be retrospectively billed for the previous two years;
- (g) The Refuse Collection & Street Cleansing expenditure is predicted to be £50,000 less than the revised estimate owing to savings on contract lease hire of vehicles;

- (h) Planning Delivery Grant which has now been received is less than expected by £28,600 (revenue element only);
- (i) Interest on balances was originally estimated at £1,250,000 and the estimate had been increased to £1,465,000 due to better deals on higher than anticipated interest rates. The estimate has now been further increased by £335,000 to £1,800,000 mainly due to higher balances and the receipt of around £7 million owed by the Government on the pooling of business rates:
and

HRA

- (j) The Housing Repairs budget is currently overspent on Change of Tenancies. This is being actively managed to ensure that the net position, offsetting any DLO trading surplus relating to this extra activity, remains within the original estimate and approved additions.

Utilising Potential Underspends

- 12. It had been intended to include in this report proposals to use underspends to address under-performing performance indicators or address other areas where investment could improve service delivery. However, given the financial position identified in the Medium Term Financial Strategy report, it is recommended that no such proactive action be taken. This would not affect the normal arrangements by which virements could be used to transfer available resources.

Prudential Indicators

- 13. Prudential Indicators are shown in **Appendix C** and the Council has remained within the set limits for Treasury Management.

Implications

- 14. The Council needs to ensure that it spends within its budgets, because of the impact on the level of balances and the implication for the Medium Term Financial Strategy.

15. Financial	As detailed in the report.
Legal	None.
Staffing	Not Relevant.
Risk Management	As Above.
Equal Opportunities	None.

Consultations

- 16. None.

Effect on Annual Priorities and Corporate Objectives

17. Affordable Homes	None.
Customer Service	None.
Northstowe and other growth areas	None.
Quality, Accessible Services	None.

Village Life	None.
Sustainability	None.
Partnership	None.

Conclusions/Summary

18. The figures produced at Appendix A can be summarised as:

	Projected (Under) /Overspend
General Fund	
	£
Departmental Accounts	(189,800)
Central Overheads – Energy costs underspend for Cambourne Offices	(100,000)
Refuse Service Lease Vehicles predicted underspend	(50,000)
Planning Delivery Grant less than expected	28,600
Interest on Balances greater than expected	(550,000)
Recharge to HRA, Capital etc.	<u>31,400</u>
Predicted Net Underspending for 2006/07	<u>(829,800)</u>
HRA	
Recharged Departmental and overhead accounts	<u>(23,300)</u>
Predicted Net Underspending for 2006/07	<u>(15,300)</u>
Capital	
Recharged Departmental and overhead accounts	<u>(8,100)</u>
Predicted Net Underspending for 2006/07	<u>(8,100)</u>

Recommendations

19. Cabinet is requested to note the projected expenditure position and the monitoring of prudential indicators and to refer the report to the next meeting of the Resources, Staffing, Information & Customer Services Portfolio Holder for more detailed consideration.

Background Papers: the following background papers were used in the preparation of this report:

Estimate Book 2006/07 and reports from the Financial Management System.

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